

REPORT 4th QUARTER 2006

REPORT

4th QUARTER

The merger between Eltek and Nera was reflected in the balance sheet statement at 30 September 2006, and is included in the consolidated statement from 1 October 2006. The below figures describe reported figures for fourth quarter 2006 and the fourth quarter 2005 (in brackets) explicit notice

(NOK million)	Q4 '06	Q4 '05	2006	2005	Pro forma Q4 '05	Pro forma 2006	Pro forma 2005
Revenue	1,207	597	3,121	2,086	1,033	4,484	4,033
Gross Profit	280	171	773	595	242	1,029	1,014
Gross margin (%)	23.2	28.7	24.8	28.5	23.4	22.9	25.2
EBIT before restructuring	48	63	239	227	28	176	261
Restructuring costs	-50	-	-50	-			
EBIT	-2	63	189	227			
Pre-tax profit	-14	64	157	225	30	129	257
Net profit after tax	-16	53	107	172	16	86	173

Note: Pro forma calculations exclude non-recurring costs in all periods, and are prepared under the assumption that the current activity of Nera was consolidated as of 1 January 2005

Structural developments

The divestment of the satellite communications business was finalised in the fourth quarter. The divested assets were already accounted for at fair value in the consolidated Balance Sheet at 30 September. The divestment thus had no impact on the Income Statement. However, the sale of shares in Thrane & Thrane, which were received as part of the consideration, resulted in a loss of NOK 6 million compared to the value included in the balance sheet as at 30 September 2006.

The preliminary purchase price allocation (PPA) related to the merger with Nera has been changed with revaluation of intangible assets and debt. The balance sheet at 30 September 2006 has been adjusted for these changes.

Following the merger of Eltek and Nera, the Eltek Group has made significant progress in the organisational development of the remaining activities. During the quarter, the company presented a restructuring plan for the transmission business in Nera, including the moving of production from Bergen to the Group's facilities in Slovakia.

The restructuring plan has progressed according to the time line, and entailed restructuring costs of NOK 50 million in the fourth quarter 2006. This was NOK 13 million less than initially expected and communicated, primarily due to termination of pension liabilities.

Key financials - quarterly

The Eltek Group achieved revenues of NOK 1,207 million in the fourth quarter 2006, compared to NOK 597 million in the fourth quarter 2005. Gross profit was NOK 280 million (171), and gross margin 23.2 percent (28.7).

Revenues increased 17 percent compared to *pro forma* revenues of NOK 1,033 million in the fourth quarter 2005.

Operating expenses was NOK 232 million in the fourth quarter (108), excluding restructuring charges of NOK 50 million in Nera.

EBIT was NOK -2 million on a reported basis (63), and NOK 48 million before restructuring charges.

Net financial amounted to NOK -14 million (1), including a loss of NOK 6 million on sales of shares in Thrane & Thrane.

Profit before tax and minorities was NOK -14 million (64), and profit after tax NOK -16 million (53). Adjusted for restructuring charges, profit before tax was NOK 48 million and profit after tax NOK 34 million.

On a *pro forma* basis -excluding non-recurring costs- EBIT was NOK 28 million in the fourth quarter 2005. *Pro forma* profit before tax was NOK 30 million in the fourth quarter 2005 and *pro forma* profit after tax NOK 16 million.

Segment information

Following the merger with Nera, the Eltek Group will report on the three business areas **Eltek Energy, Nera Networks and NeraTel**, as well as **Corporate**.

Eltek Energy comprises the operational activities in former Eltek, whereas Nera Network is a pure transmission business. Historical *pro forma* figures for Nera Networks include costs related with the former holding company Nera ASA.

The 50.1 percent owned subsidiary Nera Telecommunications (NeraTel) is separately listed on the Singapore Stock Exchange. The activities comprise transmission activities, infocom/network activities and a satellite communications operation.

Note that the split of the activities in Nera differs from the reporting structure of Nera prior to the merger.

The reporting area Corporate comprises group administrative functions.

Eltek Energy

	Q4 '06	Q4 '05	2006	2005
Revenues	672	597	2,585	2,086
Gross profit	168	170	661	593
Gross margin	25.0	28.5	25.6	28.4
EBIT	60	71	274	260

Note: Pro forma figures for previous periods, taking cost allocation between Eltek Energy and Corporate into account.

Revenues

Eltek Energy achieved revenues of NOK 672 million in the fourth quarter 2006. This corresponds with an increase of 13 percent from NOK 597 million in the fourth quarter 2005 and a marginal decline of 2 percent from the previous quarter.

The year-on-year revenue increase reflects higher demand for energy systems but also that Eltek Energy has continued to gain market share in this market segment.

Year-on-year, revenues increased in all the main geographical regions. EMEA accounted for NOK 352 million -or roughly half of revenues- in the fourth quarter, showing an increase of 11 percent from the fourth quarter last year. In the Asia Pacific region, revenues increased by 15 percent to NOK 154 million, whereas revenues in the Americas increased by 12 percent to NOK 165 million.

Compared with the previous quarter, EMEA revenues declined by 11 percent, as deliveries fell from high levels in Russia and Ukraine, and also in some of the major markets in Western Europe. Revenues increased by 4 percent in Asia Pacific, whereas revenues in Americas increased by 18 percent driven by shipments to Brazil.

Gross margin

Gross margin remained under pressure also in the fourth quarter, and Eltek Energy reported a gross margin of 25.0 percent (28.7). This was also somewhat lower than in the previous quarter.

During the year, Eltek has built up new low-cost system assembly hubs in Slovakia and China. However, the positive margin effect was lower than expected in the fourth quarter, as changes in product mix generated lower-than-expected volumes at the hubs.

Operating costs

Eltek Energy had operating costs of NOK 108 million, which compares with operating costs of NOK 99 million in the fourth quarter 2005. Cost increased by NOK 4 million from the previous quarter. The cost increase mainly reflects higher R&D cost.

The cost levels take into account the cost allocation between Eltek Energy and Corporate for both periods.

Operating profit

Eltek Energy achieved an EBIT of NOK 60 million in the fourth quarter, compared to NOK 71 million in the fourth quarter 2005. The decline is primarily an effect of lower gross margin.

Order entry - market development

Eltek Energy recorded new orders of NOK 632 million in the fourth quarter 2006, which was an increase of 11 percent from NOK 570 million in the fourth quarter 2005 but 9 percent below the previous quarter. Several major projects in Asia Pacific have been delayed into 2007, which particularly affected the order entry in India. The order backlog stood at NOK 420 million at the end of the year (388), of which NOK 324 million was for delivery within 90 days (279). At the end of the third quarter, the order backlog was NOK 455 million.

The market is normally impacted by seasonal effects in the first quarter. In the first quarter 2006 this was counterbalanced by deliveries on a major contract in Australia

Nera Networks

	Q4 '06	Q4 '05	2006	2005
Revenues	399	364	1,378	1,516
Gross profit	73	49	233	295
Gross margin	18.2	13.4	16.9	19.4
EBIT bef. restructuring	-11			
Restructuring	-50			
EBIT	-61	-25	-91	19

Note: Figures for previous periods are pro forma, excluding non-recurring costs.

Revenues

Nera Networks reported revenues of NOK 399 million in the fourth quarter of 2006. This represents an increase of 9 percent compared with *pro forma* revenues of NOK 364 million for Nera Networks in the fourth quarter 2005.

Revenues increased by 37 percent compared to *pro forma* revenue in the previous quarter. This reflects increased delivery capabilities for both Interlink and the new Evolution series, which were hampered by component shortages and some technical difficulties in the previous quarter.

The software-defined Evolution radio accounted for approximately 20 percent of the number of radios delivered in the fourth quarter. This is expected to increase during 2007, although revenues in the first half of the year will also reflect deliveries on several major Interlink orders received in January and February 2007.

Significant improvements have been achieved on certain problems in the technical manufacturing process, which negatively affected deliveries in the second half of 2006.

Splitting revenues into the same regions as for Eltek Energy, Americas was the largest area with revenues of NOK 189 million - or 47 percent. Growth in the region was slow at only 1 percent compared with the *pro forma* figures for the fourth quarter 2005. EMEA accounted for NOK 158 million or 40 percent of revenue, showing a growth of 28 percent from the fourth quarter 2005. Growth was particularly strong in Africa.

Revenues in the Asia Pacific region declined 5 percent from the fourth quarter 2005, to NOK 51 million.

Gross margin

Gross margin in Nera Networks was 18.2 percent in the fourth quarter, which was a sharp increase compared with the *pro forma* figures for both the fourth quarter 2005 (13.4) and the previous quarter (13.6).

As expected, cost of goods sold was negatively affected by costs of NOK 4 million relating to the move of production from Bergen to Slovakia. This primarily reflects training of Slovakian personnel and preparations in Slovakia. Similar costs are expected also for the first and second quarter 2007.

Although gross margin increased compared with previous quarters, the level is still too low. Gross margin improvement is thus a key element in the ongoing restructuring of the transmission activities.

The company also believes that gradually increasing sales of the new higher-margin Evolution series will contribute positively to the gross margin in the longer-term.

Operating costs

Excluding restructuring costs, Nera Networks had operating costs of NOK 82 million in the fourth quarter 2006. This compares with NOK 74 million on a *pro forma* basis in the fourth quarter 2005, and NOK 78 million in the previous quarter. Adjusting for positive effects of vacation pay in the third quarter, costs declined by NOK 5 million in the fourth quarter 2006.

Restructuring costs

The restructuring of Nera Networks was initiated in the beginning of the fourth quarter 2006, and the new management has delivered progress in line with timelines.

The move of production from Bergen to Slovakia will take place in two steps, with Interlink production being moved in February and the production of Evolution in early April during Easter.

The operating profit of Nera Networks was charged with restructuring costs of NOK 50 million in the fourth quarter.

The restructuring costs primarily reflect provisions for rent of idle premises, and costs associated with the headcount reduction at Nera in Bergen. The restructuring charges were lower than initially anticipated, as the company in October indicated restructuring costs of NOK 63 million in the quarter. The main reason for this is reduced pension liabilities related to the headcount reduction.

The goals of the restructuring program remain intact, with the overriding target of regaining profitability in Nera Networks during 2007.

Operating profit

Nera Networks had an EBIT of NOK -10 million in the fourth quarter 2006, excluding restructuring costs of NOK 50 million. This compares with a *pro forma* EBIT of NOK -25 million in the fourth quarter of 2005, which also excludes the effect of restructuring costs.

The reported EBIT was NOK -59 million for the fourth quarter 2006.

Order entry - market development

Nera Networks recorded new orders of NOK 320 million in the fourth quarter 2006, which was marginally above the *pro forma* order level in the fourth quarter 2005 (317).

Compared with the last year, order inflow was strong in Asia Pacific, flat in the Americas, and lower in EMEA.

The order entry was negatively affected by reduced delivery capacity in the first part of the quarter. Order entry picked up towards the end of the year. The order backlog stood at NOK 464 million at the end of the year, of which NOK 265 million was for delivery within 90 days.

NeraTel

	Q4 '06	Q4 '05	2006	2005
Revenues	179	124	629	658
Gross profit	40	22	135	125
Gross margin	22.2	18.0	21.5	19.0
EBIT	7	-10	25	15

Note: Figures for previous periods are *pro forma*

Revenues

NeraTel reported revenues of NOK 179 million in the fourth quarter 2006, compared with *pro forma* revenues of NOK 124 million in the same period in 2005.

The reported gross margin of 22.2 percent also compares favourably with the *pro forma* gross margin of 18.0 percent for the fourth quarter 2005.

EBIT was NOK 6 million in the fourth quarter 2006, including amortization of PPA of NOK 5 million. *Pro forma* EBIT for 2005 and 2006 has been charges with PPA amortization of NOK 19 million.

The company has announced major contracts in the first weeks of 2007 at a value of NOK 185 million. However, order entry in fourth quarter 2006 of NOK 108 million corresponds to a decline of 12 percent from the fourth quarter 2005. NeraTel was affected by the same type of delivery problems as Nera Networks in the fourth quarter. Order backlog was NOK 284 million at the end of 2006, of which NOK 143 million was for delivery within 90 days.

NeraTel is a separately listed company on the Singapore Stock Exchange. The company presented its interim results for the fourth quarter 2006 on Tuesday 13 February. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 9 million in the fourth quarter 2006, which was unchanged from the *pro forma* cost level for administrative activities in the fourth quarter 2005.

Balance sheet

The changes in the consolidated Balance Sheet from 31 December 2005 primarily relate to the merger of former Nera into Eltek .

At 31 December 2006, total assets were NOK 4,785 million, compared with NOK 1,769 million at the end of 2005. Total assets declined from NOK 5,773 million at 30 September 2006, due to the finalisation of the divestment of Nera SatCom and repayment of debt.

Equity was NOK 2,388 million at 31 December, corresponding to an equity ratio of 50 percent. This compares with an equity ratio of 52 percent at the end of 2005.

At the end of the year, Eltek had a gross cash position of NOK 750 million. The net cash position was NOK 181 million, compared with NOK -65 million at the end of the third quarter 2006. Net cash as at 30 September 2006 has been reduced by NOK 97 million compared to the figure reported in the third quarter report, as a consequence of revaluation of the bond loan and a reclassification from other liabilities to borrowings.

Cash flow statement

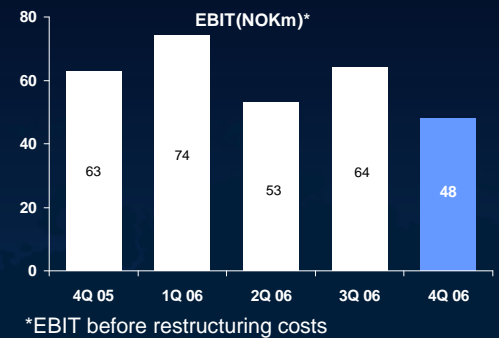
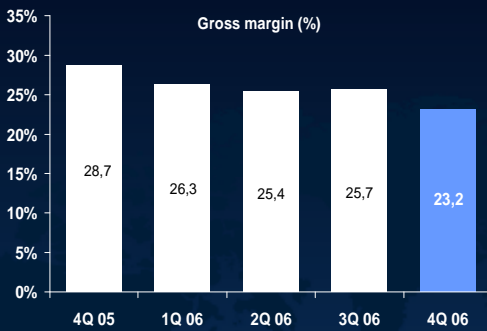
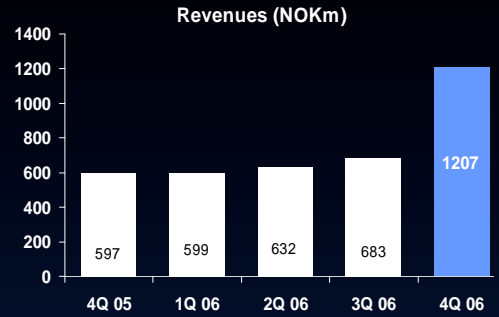
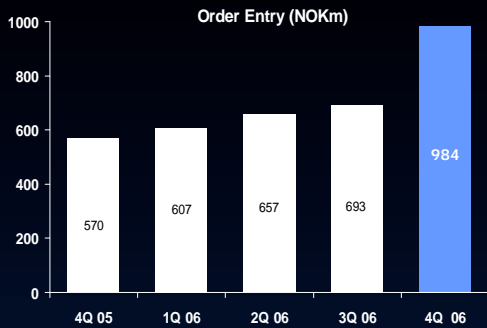
Cash flow from operation was NOK -53 million in the fourth quarter 2006, due to increased working capital. Net cash flow from investments and divestments was NOK 422 million, reflecting the completion of the merger and the divestiture of Nera SatCom. Net cash flow from financing was NOK -683 million, due to repayment of debt.

Outlook

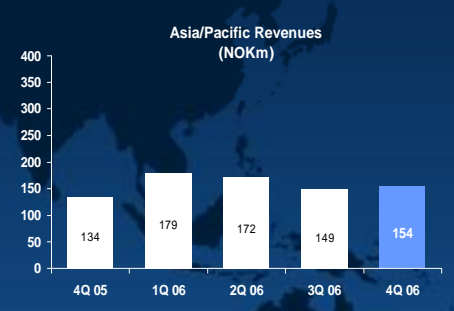
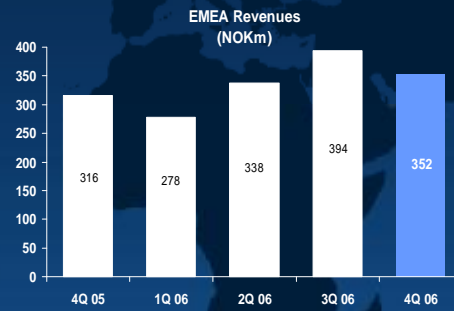
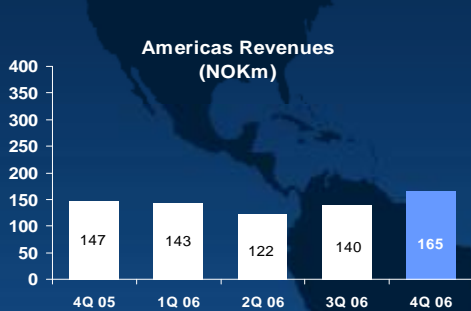
Restructuring of Nera Networks and the introduction of the new Evolution radio improves Nera Networks' and NeraTel's competitiveness. Eltek Energy has established itself as the clear no.2 player in the telecom power systems market. Based on the market position and strengthened product portfolio the Board believes that the Eltek Group is well positioned to execute on future market opportunities.

Drammen, 15 February 2007
The Board of Directors, Eltek ASA

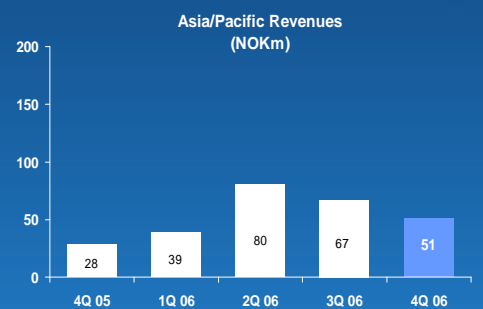
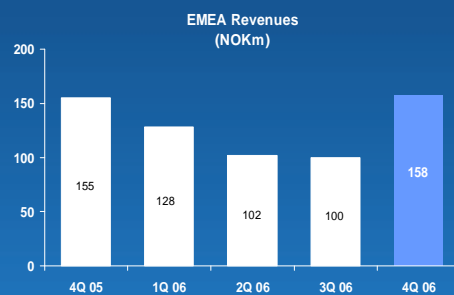
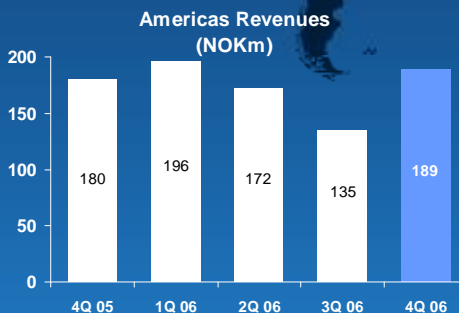
QUARTERLY DEVELOPMENT ELTEK GROUP



QUARTERLY DEVELOPMENT BY REGION - ELTEK ENERGY



QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS*



*Historical figures are *pro forma*

Consolidated income statement (unaudited)

Amounts in NOK 1 000	4Q 2006	4Q 2005	YTD 2006	YTD 2005
Revenue	1 207 388	596 781	3 121 116	2 085 730
Cost of sales	-927 032	-425 572	-2 347 655	-1 491 120
Gross profit	280 356	171 209	773 461	594 610
Selling and marketing costs	-111 942	-44 881	-242 973	-155 472
Administrative expenses	-61 664	-45 971	-179 230	-143 860
R&D and engineering costs	-59 448	-17 123	-136 602	-67 187
Other operating items	-48 881	-418	-25 341	-709
Operating profit	-1 579	62 816	189 316	227 382
Share of result in associated companies	907	-69	907	247
Net financial items	-13 560	870	-33 030	-2 473
Profit before income tax	-14 232	63 618	157 193	225 155
Income tax expense	-1 988	-10 150	-50 583	-53 277
Net profit	-16 220	53 468	106 610	171 878
Attributable to:				
Equity holders	-22 516	48 299	86 524	151 191
Minority interests	6 296	5 169	20 086	20 688
Basic EPS (NOK)	-0,46	1,47	2,36	4,74
Diluted EPS (NOK)	-0,46	1,45	2,35	4,68

Consolidated balance sheet (unaudited)

Amounts in NOK 1 000	31.12.2006	31.12.2005
Property, plant & equipment	223 052	82 100
Intangible assets	1 175 417	186 824
Deferred income tax asset	60 330	56 447
Other non-current assets	16 469	3 706
Total non-current assets	1 475 268	329 077
Inventories	766 299	368 646
Trade and other receivables	1 794 268	604 378
Cash and cash equivalents	750 075	466 573
Total current assets	3 310 642	1 439 597
Total assets	4 785 909	1 768 674
Share capital	49 206	32 261
Other reserves	2 141 400	839 673
Capital and reserves attributable to equity holders of the Company	2 190 606	871 934
Minority interest	213 967	44 023
Total equity	2 404 572	915 957
Borrowings	464 594	227 663
Deferred income tax liabilities	10 543	
Retirement benefit obligations	310 927	33 502
Provisions for other liabilities and charges	57 220	
Total non-current liabilities	843 285	261 164
Borrowings	104 261	52 784
Trade creditors and other payables	1 241 456	473 286
Current income tax payable	39 301	38 716
Provisions for other liabilities and charges	153 034	26 767
Total current liabilities	1 538 052	591 553
Total liabilities	2 381 337	852 717
Total equity and liabilities	4 785 909	1 768 674
Equity ratio	50,2 %	51,8 %

Cash flow analysis (unaudited)

Amounts in NOK 1 000	4Q 2006	4Q 2005	YTD 2006	YTD 2005
Net cash flow from operations	-52 823	135 982	-250 114	163 417
Net cash flow from investments	422 408	-34 705	779 062	-96 279
Net cash flow from financing	-682 691	1 235	-245 445	18 403
Net change in cash and cash equivalents	-313 106	102 512	283 503	85 541
Cash and cash equivalents, beginning of period	1 063 182	364 061	466 573	381 031
Cash and cash equivalents, end of period	750 076	466 573	750 076	466 573
	750 076	466 573	750 076	466 573
	0	-0	0	0

Consolidated statement of recognized income and expense (unaudited)

Amounts in NOK 1 000	4Q 2006	4Q 2005	31.12.2006	31.12.2005
Actuarial gains/losses	-3 908	422	-3 908	422
Currency translation effects	-14 417	14 233	-20 508	38 287
Taxes on items taken directly to equity	-	-118	-	-118
Net income recognized directly in equity	-18 325	14 537	-24 416	38 591
Profit for the period	-16 220	53 468	106 610	171 878
Total recognized income for the year	-34 545	68 005	82 194	210 469

Notes to the financial statements

1. Accounting principles

Eltek's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and these unaudited interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting.

The same accounting policies and methods of computation are followed as compared with the financial statements for the year ending 31 December 2005, ref Annual report 2005 for further description.

2. Property, plant & equipment and Intangible assets

Three months ended 31 December 2006

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 30.09.2006	138 443	297 289	22 413	458 145	214 360
Effect of Purchase price allocation	681 143	-70 289	78 137	688 991	0
Net book amount at 01.10.2006	819 586	227 000	100 550	1 147 136	214 360
Additions	6 557	36 261	7 131	49 948	20 017
Disposals			17	17	-203
Depreciation		-14 181	-8 329	-22 510	-11 864
Foreign currency translation effects	-1 168	39	1 954	825	743
Net book amount at 31.12.2006	824 975	249 119	101 323	1 175 417	223 052

Three months ended 31 December 2005

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.10.2005	75 682	85 222	4 244	165 148	79 614
Additions		16 808	10 157	26 965	7 740
Disposals				-	-7
Depreciation		-3 961	-2 244	-6 205	-3 696
Foreign currency translation effects	1 827	56	-967	916	-1 551
Net book amount at 31.12.2005	77 509	98 125	11 190	186 824	82 100

2. Property, plant & equipment and Intangible assets

Twelve months ended 31 December 2006

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.01.2006	77 509	98 125	11 190	186 824	82 100
Additions, Nera merger	692 870	106 168	87 867	886 905	70 659
Additions, Other	57 479	79 823	10 624	147 926	94 227
Disposals			-1	-1	-480
Depreciation		-35 302	-10 952	-46 255	-24 505
Foreign currency translation effects	-2 883	306	2 595	18	1 051
Net book amount at 31.12.2006	824 975	249 119	101 323	1 175 417	223 052

Twelve months ended 31 December 2005

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.01.2005	73 532	51 848	3 310	128 690	61 051
Additions	340	56 377	12 617	69 334	33 622
Disposals				-	-176
Depreciation		-9 902	-3 187	-13 089	-15 277
Foreign currency translation effects	3 637	-198	-1 550	1 889	2 880
Net book amount at 31.12.2005	77 509	98 125	11 190	186 824	82 100

3. Reconciliation of movements in capital and reserves

	4Q 2006	4Q 2005	31.12.2006	31.12.2005
Equity end of previous period	2 527 301	841 370	915 957	672 581
Adoption of IAS 32 and IAS 39	-	-	-	1 362
Equity beginning of this period	2 527 301	841 370	915 957	673 943
Total recognized income for the period	-34 545	68 005	82 194	210 469
Issue of shares	1 609	-	1 239 636	-
Stock options exercised by employees	-	6 943	12 338	29 770
Own shares	-4 672	-	-4 672	-
Sales & acquisitions	25 883	-	264 953	-
Cost of stock options	2 098	3 487	10 218	10 552
Dividends	-113 101	-3 848	-116 050	-8 777
Equity end of period	2 404 573	915 957	2 404 573	915 957

4. Business combinations

Merger with Nera

The merger with Nera was approved by all relevant competition authorities 13 September 2006, and change of the Board of Directors and CEO in Nera became effective from that day, and this is considered to be the acquisition date for accounting purpose. The merger was formally finalized 18 October 2006 when 16.673.734 shares were issued to the former shareholders of Nera.

The merger consideration consisting of cash, shares issued, Nera shares acquired pre-merger and transaction costs, is NOK 1.640 million. A preliminary purchase price allocation (PPA) has been performed and intangible assets of NOK 184 million have been identified, primarily related to technology, Customer relationships and Trademark. The implied goodwill is NOK 693 million.

Acquisitions

In fourth quarter Eltek acquired 51 percent of the Swedish company AIAB DC Systems AB at a cost of NOK 3million, and in addition there will be an earn-out based on further performance. Eltek increased its ownership in Eltek Australia from 67 percent to 78 percent. The consideration of NOK 11 million will be paid in first quarter 2007.

Divestiture of Satcom

The divestment of Nera Satcom was finalized in the fourth quarter. The divested assets were already accounted for at fair value in the consolidated Balance Sheet at 30 September.

The divestment thus had no impact on the Income Statement. However, the sale of shares in Thrane & Thrane, which were received as part of the consideration, resulted in a loss of NOK 6 million compared to the value included in the balance sheet as at 30 September 2006.

5. Pro forma consolidated income statement

The consolidated pro forma income statement presented below shows Eltek and Nera as if they had been operating as one unit for the twelve months period ended 31 December 2006. The pro forma financial information is based on certain assumptions that not necessarily would have been applicable if Eltek and Nera were one company from the beginning of the period presented in the pro forma financial information, i.e. from 1 January 2006. Because of its nature, the pro forma financial information addresses a hypothetical situation.

- The pro forma income statement is presented for continuing operations, that is exclusive any results from divested assets.
- The pro forma consolidated income statement is shown both inclusive and exclusive non-recurring items. Non-recurring items include restructuring costs of NOK 50 million in Nera Networks in fourth quarter and NOK 144 million charged to the Nera income statement in the third quarter (mainly revaluation of assets, see our third quarter report for further details).
- The pro forma income statement includes authorization of assets identified in the preliminary purchase price allocation.

Eltek Group

Consolidated pro forma income statement 2006 (unaudited)

Amounts in NOK 1 000	Proforma consol, incl non-recurr items	Non-recurring items	Pro forma consolidated, excluding non- recurring items
Revenue	4 484 432	0	4 484 432
Cost of sales	-3 531 965	76 500	-3 455 465
Gross profit	952 467	76 500	1 028 967
Selling and marketing costs	-406 068	0	-406 068
Administrative expenses	-321 365	57 900	-263 465
R&D and engineering costs	-207 488	0	-207 488
Other operating items	-25 341	49 745	24 404
Operating profit	-7 795	184 145	176 350
Share of result in associated companies	907	0	907
Net financial items	-57 839	10 000	-47 839
Profit before income tax	-64 728	194 145	129 417
Income tax expense	-43 784	0	-43 784
Net profit	-108 512	194 145	85 633
Gross margin %	21,2%		22,9%
Operating profit %	-0,2%		3,9%
Net profit %	-2,4%		1,9%

